

CITY OF MORGAN HILL
SPECIAL JOINT CITY COUNCIL AND
BLUE RIBBON TASK FORCE MEETING
MINUTES - FEBRUARY 6, 2001

CALL TO ORDER

Mayor Kennedy called the special meeting to order at 6:10 p.m.

ROLL CALL ATTENDANCE

City Council

Present: Council Members Carr, Chang, Sellers, Tate and Mayor Kennedy

Blue Ribbon Task Force

Present: Members Anderson, Garcia, Gonzalves, Greenberg, Hanamura, Mueller and
Chairman Mulligan

DECLARATION OF POSTING OF AGENDA

City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Mayor Kennedy opened the floor to public comment for items not on this evening's agenda. No comments were offered.

OTHER BUSINESS

1. DISCUSSION OF BLUE RIBBON TASK FORCE (BRTF) REPORT TO THE CITY COUNCIL

City Manager Tewes presented the staff report.

BRTF Chairman Mulligan indicated that BRTF Member Greenberg and Vincent Bradley, Bradley Associates Consultant, would each be making a presentation this evening.

BRTF Member Greenberg indicated that a White Paper was prepared by the BRTF and that it has been distributed to the City Council. She outlined the major points contained in the White Paper and the recommendation of the BRTF.

Vincent Bradley, Bradley Associates Consultant, addressed the formation and operation of a

foundation, including their structure and timeline.

Mayor Kennedy inquired as to the purpose of the feasibility study? Mr. Bradley responded that a fundraising feasibility study would be performed to determine funding and a workplan until you can move toward a bond. Another feasibility study should be conducted in parallel that would identify what it would take to recruit physicians.

City Attorney Leichter indicated that the foundation bylaws are not site specific. She stated that the foundation would be the organizing board until it receives the IRS 501c3 letter. Once the letter is received, the organizing board would elect the permanent governing board and that the City Council would have the ability to appoint two individuals to the governing board.

Mayor Pro Tempore Sellers inquired if a nine-number foundation is a good number or whether the number should be increased? Mr. Bradley responded that he recommended a nine-member board composition but that the board make up can be any where from 12-39 members.

GPTF Member Garcia stated that you look for board members who are in business and experienced in fundraising such as CEOs. She said that it was important to have someone on the board who is respected and active in the community. She felt that this was paramount when you search for board members.

BRTF Member Mueller stated that the Task Force is recommending that it be allowed to take charge of the organization phase as the Task Force is up to speed on the issues and understand the goals and objectives of the City Council.

BRTF Member Hanamura said that the Task Force would like to find someone who owns or operates a medical facility or is familiar with marketing.

Mr. Bradley felt that it was important for the City Council to move forward with a foundation board who will serve as the governing board.

Council Member Chang inquired as to the amount of fundraising required by the foundation board? Mr. Bradley responded that in Phase 1, \$2 million should be raised, with \$5 million being raised between a two-four year period. Once the foundation is established and up and running, you can obtain loans secured against the property to be followed by bonding to pay off the mortgage. He reiterated that a feasibility study would need to be conducted to determine costs.

Council Member Chang asked if a feasibility study should be performed before establishing the foundation board? Mr. Bradley responded that he would like to conduct a developmental study versus a feasibility study. This would be conducted by the founding board. He felt that if \$2-3 million can be raised, it would be sufficient funding to move forward.

Council Member Chang asked what would happen if the targeted money is not raised? Mr. Bradley

stated that it was his opinion that the city could raise \$2 million in two years and \$5 million in five years. He felt that several individuals would pledge money over a period of time.

GPTF Member Garcia stated that it was her belief that the hospital would be utilized by medical groups and that the tenants would pay the mortgage. She stated that the physicians would be paying rent and that they would also pay fees for the use of facilities/services offered by other medical providers.

Mr. Bradley stated that until you can get to the point of an authority bond, the foundation would need to raise funds. He indicated that many foundations have been able to raise money in less than 10 months.

GPTF Chairman Mulligan said that once the foundation moves forward, physicians would come to the community.

Mayor Kennedy identified revenue producing strains. He felt that the question is whether these revenue producing strains would offset the initial costs.

GPTF Member Anderson stated that it was obvious that an emergency room is not a money maker. However, a surgical group would be a money making component and that it would bring in revenue to support a hospital. She indicated that the Task Force does not expect that an emergency room would be provided right of way. It is felt that a condominium facility would be successful and that rents would be collected. Once Coyote Valley starts to expand, an emergency room could be built. She indicated that the establishment of an emergency room initially would require a subsidy. She stated that physicians are indicating that they cannot function without a hospital being made available.

GPTF Member Garcia stated that it was indicated to the Task Force that if a surgical center is built, it would attract physicians. She indicated that a pediatric group will make a presentation to the City Council tomorrow night, addressing the need for a facility that would assist high risk mothers. It is stated that women's services are needed, including prenatal care. The group has indicated that they would locate a satellite facility in the community. She informed the City Council that the community has expressed the need for an urgent care facility.

Mr. Bradley stated that 78% of the patients who utilize an emergency room could have been treated in an urgent care facility. He noted that only 5% of those needing emergency services result in the admission into a hospital.

Mr. Bradley said that a health authority bond would require that the entity (foundation) have an office building and an urgent care center. The bonds would be secured by the property and written by a trust fund. He stated that he was not comfortable discussing where the underwriters would come from in open session. He indicated that once you get to the point where you can sell bonds, the foundation/facility would be stable.

GPTF Member Mueller stated that there is an existing asset in the form of a hospital and that it can be certified rather quickly. He stated that the existing facility was not built as a school but that it was built and operated as a hospital. He indicated that during the last two to three years of operation, the hospital was in the black.

GPTF Member Anderson stated that the medical mix being proposed is not the same mix formally in place at the hospital. She noted that a hospital facility would require fewer beds as stays at hospitals are being shortened. The organizations who have addressed the Task Force are proposing to change how the hospital works, requiring fewer beds because individuals would not be staying in the hospital for long periods of time. She stated that an emergency room would not be recommended until such time that the community is large enough to support it. She said that it does not appear that a major renovation would be necessary to accommodate a change in mixed use. Retrofitting would not be necessary as the existing hospital building meets current earthquake standards.

Mr. Bradley indicated that the existing facility could be opened for half the cost of a new facility.

Council Member Chang inquired how much subsidies would be required for the hospital facility?

City Manager Tewes stated that based on what the Task Force Committee has described, a \$2.5 million mortgage per year would be required. Based on his discussions with the providers, it does not appear that Phase I would generate enough revenue to pay the mortgage but that once you get into Phase II, the mortgage could be paid.

GPTF Member Mueller felt that by the February 21 City Council meeting, the cost figures would be known and presented based on assumptions.

GPTF Chairman Mulligan clarified that the units would be rented to various medical providers. He indicated that a walk through of the building would need to be conducted to determine its condition and what needs to be done.

Council Member Carr stated that if on February 21, the City Council approves the formation of a foundation, it will not be known until the summer of 2001 and the completion of a feasibility study, whether the plan makes sense. In the meantime, a \$2.5 million mortgage payment would need to be paid. He asked who would be responsible for the mortgage payment?

Mr. Bradley stated that it would take approximately three months to conduct the fundraising feasibility study, noting that the other studies would also take the same amount of time to complete.

City Attorney Leichter stated that it is being recommended that a start up fund be established, noting that a figure has not been identified.

City Manager Tewes indicated that Mr. Bradley has furnished him with the amount of seed money that would be necessary for a start up fund.

Mayor Kennedy opened floor to public comment. No comments were offered.

Mayor Kennedy felt that it would be helpful to have the hard and fast numbers for the existing facility and that of a new facility.

Council Member Carr referred to the report presented a week ago, stated that the mission statement talks about recommendations for the formation of a non profit foundation or other appropriate mechanisms. He asked if there were other appropriate mechanisms that were looked at such as a hospital district?

GPTF Member Mueller stated that taking a different path other than the formation of a non profit foundation would result in the loss of local control. He said that health authority bond is felt to be important to help move healthcare services forward. When you look at other mechanisms, it would be difficult to make them work and yet retain local control.

Mayor Pro Tempore Sellers felt that the only thing worse than losing the hospital was losing it again. He did not want to get into the position of moving forward with a healthcare facility and lose it again. He is hearing that with the formation of a foundation, all the components can be put together. He stated that it was important to get to Phase II and Phase III of the development plan. He said that OB-GYN and urgent care services are important to the community. He wanted to know how best to get to this level of service.

Mr. Bradley indicated that the Task Force Committee is recommending that healthcare services be provided in phases. The economics of moving forward with healthcare services step by step will provide the end result desired. He noted that there are funds available to make the healthcare facility successful. He indicated that development of the Coyote Valley is necessary in order to make the hospital fully functional and successful.

Mayor Pro Tempore Sellers was looking forward toward the establishment of a foundation but that he was struggling on how you would get to the important phases identified.

Mr. Bradley stated that if you start from scratch, it would take a year to build a facility. If the existing facility is utilized, it can be opened within a few months with the medical facility and urgent care center in operation within 18 months after acquisition.

GPTF Member Mueller stated that the key to making the hospital successful is having a surgical facility. In order for a hospital to be successful, it has to be operated as a business.

Council Member Tate supported the formation of foundation. He stated that he wanted a board that would move forward and that he wanted the heart of the community to serve on the foundation board.

In response to Mayor Kennedy's inquiry, BRTF Members Garcia, Mueller, Greenberg, Mulligan, Hanamura, Anderson, and Gonzalez indicated that they would be interested in serving on a

Foundation Board.

Mayor Pro Tempore Sellers expressed concern that the skills of the Task Force were specific to their charge. He indicated that he has been asked by community members whether the BRTF would move into the position of the foundation board. He stated that he would like to see a larger versus a smaller foundation for the permanent board.

GPTF Member Greenberg noted that the draft bylaws restrict membership of the board in order to ensure that the board consists of a majority of Morgan Hill residents.

Council Member Chang recommended that the City Council accept the GPTF report. She stated that she would like to give further consideration to the report and review the numbers.

Council Member Tate stated that he gets a strong sense from the White Paper position that it is site specific. He felt that the foundation was critical no matter whether it governs the existing or a new facility.

Council Member Carr said that he would like to review the bylaws and understand the make up of the governing board.

Mayor Kennedy hopes that when the Council meets on February 21, the Council will be in a position to review appointments to the governing board.

City Attorney Leichter informed the City Council that the bylaws do not need to be approved on February 21, 2001.

Mayor Kennedy recommended that staff return with several alternatives with respect to the appointment of a board (e.g., appoint the board as recommended by the Task Force Committee, appointment of a board with additional Council appointees, leave appointments open).

Action: *It was the consensus of the City Council to **direct** staff to return with cost figures.*

ADJOURNMENT

There being no further business, Mayor Kennedy adjourned the special meeting at 8:08 p.m.

MINUTES RECORDED AND PREPARED BY:

Irma Torrez, City Clerk